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Social interactions and economic outcomes

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Social Interactions and Economic Outcomes

Adriaan R. Soetevent

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Rijksuniversiteit Groningen

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ter verkrijging van het doctoraat in de
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aan de Rijksuniversiteit Groningen
op gezag van de
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geboren op 14 januari 1976
te Emmen

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Prof. dr. S. N. Durlauf
Prof. dr. C. H. Hommes

“Theoretisch bedeutet das, daß die Familie ohne Obdach, wenn sie in einer eisigen Winternacht nicht erfroren ist, bei den ersten Strahlen der Morgensonne ebenso glücklich ist wie der reiche Mann, der aus dem warmen Bett heraus muß; und praktisch kommt es darauf hinaus, daß jeder Mensch geduldig wie ein Esel das trägt, was ihm aufgepackt ist, denn ein Esel, der um eine Kleinigkeit stärker ist als seine Last, ist glücklich. Und in der Tat, das ist die verlässlichste Definition von persönlichem Glück, zu der man gelangen kann, solange man nur einen Esel allein betrachtet. In Wahrheit ist aber das persönliche Glück (oder Gleichgewicht, Zufriedenheit oder wie immer man das automatische innerste Ziel der Person nennen mag) nur soweit in sich selbst abgeschlossen, wie es ein Stein in einer Mauer oder ein Tropfen in einem Fluß ist, durch den die Kräfte und Spannungen des Ganzen gehen. Was ein Mensch selbst tut und empfindet, ist geringfügig, im Vergleich mit allem, wovon er voraussetzen muß, daß es andere für ihn in ordentlicher Weise tun und empfinden. Kein Mensch lebt nur sein eigenes Gleichgewicht, sondern jeder stützt sich auf das der Schichten, die ihn umfassen, und so spielt in die kleine Lustfabrik der Person ein höchst verwickelter moralischer Kredit hinein, von dem noch zu sprechen sein wird, weil er nicht weniger zur seelischen Bilanz der Gesamtheit wie zu der des Einzelnen gehört.

Robert Musil, *Der Mann ohne Eigenschaften*, p. 523-524.

Acknowledgements

This thesis contains the results of the research I carried out as a PhD student (AIO) at the University of Groningen, in the time span 1999-2004. The origins of the project can be traced back to an afternoon in the autumn of 1999 when Peter Kooreman invited me to talk about possible PhD-projects. We first talked about studying data on the Czechian tobacco market, but then Peter pulled a proposal about the impact of interdependent preferences out of his drawer. He believed this to be a more exciting area of research and I readily agreed with his assessment. After five years I still do.

The phrase ‘interdependent preferences’ in the title of the proposal was soon replaced by the broader denominator ‘social interactions’. This reflected the gradually widening scope of the project. I started working on social interactions in household demand. Subsequently, the availability of empirical data gave the possibility to estimate interaction effects between classmates in high school and between church visitors. As a consequence, ideas from experimental economics, sociology and psychology entered the stage. At a theoretical level, there was input from game theory as well as from the industrial organization literature on network effects. As a result, this thesis covers the impact of social interactions on economic outcomes from various angles.

Many people and institutions have contributed to this thesis in some way or another. Some of them I would like to mention explicitly. First of all, I want to express my deep gratitude to Peter Kooreman for appointing me for this project and for showing confidence in my abilities. He and my co-promotor Bert Schoonbeek encouraged me to persevere and to develop my ideas. Among other things, Peter taught me how to perform and enjoy data analysis; Bert learned me the art of writing down results in a mathematically consistent way.

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William Brock showed great hospitality by inviting me to come to the University of Wisconsin at Madison in the Winter and Spring of 2003. These five months were really splendid. Besides finishing chapters 6 and 7 and starting work on chapter 5, the visit enabled me to exchange research ideas with people I otherwise would not have met. Walking across the deeply frozen Lake Mendota was an experience on its own.

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Groningen, April 2004

Adriaan Soetevent

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